

HI (Reading South) Limited

Annual report and financial statements

Registered number 04721028

31 March 2017

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Contents

Officers and professional advisor	3
Directors' report	4
Statement of directors' responsibilities in respect of the annual report and the financial statements	6
Independent auditor's report to the members of HI (Reading South) Limited	7
Profit and Loss Account and Other Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes	12

Officers and professional advisor

Directors

Raoul René Hofland

Appointed 31 December 2015

Gerardus Johannes Schipper

Appointed 16 April 2015

Martinus Johannes Cornelis Peek

Appointed 15 July 2016, resigned 4 August 2016

Secretary

Intertrust (UK) Limited

Appointed 1 April 2015

Registered office

35 Great St. Helens

London

EC3A 6AP

Independent auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Directors' report

The Directors present their annual report and the financial statements for the year ended 31 March 2017.

Principal activity

The principal activities of company are the acquisition, management and sale of investment property in the United Kingdom.

Directors

The directors who held office during the period were as follows:

Raoul René Hofland	Appointed 31 December 2015
Gerardus Johannes Schipper	Appointed 16 April 2015
Martinus Johannes Cornelis Peek	Appointed 15 July 2016, resigned 4 August 2016

Dividends

No dividends were declared for the ended 31 March 2017 (2016: £4,195,000).

Business review

The profit for the year after taxation is £1,394,000 (2016: Profit £852,000).

The investment property is held for capital appreciation. The value has increased during the year with an amount of £500,000.

The Company applies FRS101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, HICP Holdings Limited, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. There are no new standards adopted in this year.

Key financial indicators

The Company's key financial and other performance indicators during the year were as follows:

Turnover (continuing operations): £809,000 (2016: £986,000)
Profit for the financial year: £1,394,000 (2016: Profit £852,000)
Valuation of the investment property £20,800,000 (2016: £20,300,000)

Future Developments

There are no major future developments expected by the Company. The Company will remain to hold a long term rental contract with the tenant.

Directors' report (continued)

Financial instruments

Financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. There are no financial instruments which are being used by the Company.

Political contributions

The Company did not make any political contributions during the year (2016: £ nil).

Disclosure of information to auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Going concern

The Company is part of the HICP Holdings Limited (the "Group") and the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the financial statements of HICP Holdings Limited.

The Group meets its day to day working capital requirements from normal trading activities through its hotels.

The Company has net current assets and a positive equity. As a result the directors expect that the Company will continue to operate and to meet its liabilities as they fall due.

Small company provisions statement

This Directors' Report has been prepared in accordance with the provision applicable to companies to the small companies' exemption. The Company has also applied the small companies' exemptions where it is not required to prepare a strategic report.

By order of the board


G.J. Schipper
Director

25 July 2017

35 Great St. Helens
London
EC3A 6AP

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101') and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of HI (Reading South) Limited

We have audited the financial statements of HI (Reading South) Limited for the year ended 31 March 2017 set out on pages 9 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Andrew Turner (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Date: 27/07/2017

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2017

	Note	Year ended 31 March 2017 £000	15 month Period ended 31 March 2016 £000
Turnover	2	<u>809</u>	<u>986</u>
Gross profit		809	986
Administrative expenses	3	<u>(12)</u>	<u>(20)</u>
Operating profit		797	966
Fair value movement on investment property	5	<u>500</u>	<u>—</u>
Profit before taxation		<u>1,297</u>	<u>966</u>
Tax on profit	6	<u>97</u>	<u>(114)</u>
Profit for the financial year		<u>1,394</u>	<u>852</u>

There is no other comprehensive income during the year.
The above results were derived from continuing operations.

Company registered number: 04721028

The accompanying notes form an integral part of the financial statements.

Balance Sheet
As at 31 March 2017

	Note	As at 31 March 2017 £000	As at 31 March 2016 £000
Fixed assets			
Investment property	7	20,800	20,300
Current assets			
Debtors: (amounts falling due within one year)	8	3,511	2,745
Creditors: (amounts falling due within one year)	9	<u>(13)</u>	<u>(8)</u>
Net current assets/(liabilities)		<u>3,498</u>	<u>2,737</u>
Total assets less current liabilities		<u>24,298</u>	<u>23,037</u>
Provision for liabilities			
Deferred tax liability	10	<u>(1,528)</u>	<u>(1,661)</u>
Net assets		<u>22,770</u>	<u>21,376</u>
Capital and reserves			
Called up share capital	11	2,150	2,150
Share premium account		24,162	24,162
Retained earnings		<u>(3,542)</u>	<u>(4,936)</u>
Shareholders' funds		<u>22,770</u>	<u>21,376</u>

These financial statements were approved by the board of directors on 25 July 2017 and were signed on its behalf by:

G.J. Schipper
Director

35 Great St. Helens
London
EC3A 6AP

Company registered number: 04721028

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

	Called up share capital £000	Share Premium Account £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015	100	24,162	(1,593)	22,669
Profit for the period	-	-	852	852
Total other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	852	852
Shares issued	2,050	-	-	2,050
Dividends	-	-	(4,195)	(4,195)
Balance at 31 March 2016	2,150	24,162	(4,936)	21,376

	Called up share capital £000	Share Premium Account £000	Retained earnings £000	Total equity £000
Balance at 31 March 2016	2,150	24,162	(4,936)	21,376
Profit for the year	-	-	1,394	1,394
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	1,394	1,394
Balance at 31 March 2017	2,150	24,162	(3,542)	22,770

The accompanying notes form an integral part of the financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

HI (Reading South) Limited (the "Company") is a company incorporated and domiciled in England, United Kingdom. The Company is a private company limited by shares.

Basis of Preparation

Last year the company changed its year end from 31 December to 31 March. Consequently, the comparative financial period as set out on page 9 is for the period ended 31 March 2016

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The results of HI (Reading South) Limited are included in the consolidated financial statements of HICP Holdings Limited.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and investment properties;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The principal accounting policies adopted by the Company are set out in note 1.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 13.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property.

1.2 Going concern

The Company is part of the HICP Holdings Limited group (the "Group") and the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the financial statements of HICP Holdings Limited.

The Group meets its day to day working capital requirements from normal trading activities through its hotels.

The Company has net current assets and a positive equity. As a result the director's expect that the Company will continue to operate and to meet its liabilities as they fall due.

Notes (continued)

1.3 Financial instruments

Financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1.4 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

In applying the fair value model in IAS 40 Investment Property:

- i. investment properties are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. no depreciation is provided in respect of investment properties applying the fair value model.

1.5 Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.6 Turnover

Rents received under operating leases are credited to the profit and loss account on a straight-line basis over the lease term.

1.7 Expenses

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Turnover

Turnover, which is stated in the profit and loss account net of value added tax, represents rent receivable from the investment property.

The turnover and profit before tax are attributable to one principal activity of the Company and all within the United Kingdom.

Rents received under operating leases in the year ended 31 March 2017 amounted to £809,000 (2016: £986,000).

3 Expenses and auditor's remuneration

Operating expenses for the year ended 31 March 2017 amount to £12,000 (2016: £20,000) of which all were in relation to investment property generating net rental income. The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company.

	31 March 2017 £000	31 March 2016 £000
Audit of these financial statements	3	3

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, HICP Holdings Ltd.

4 Director's remuneration

During the year the Company's allocation of the directors' remuneration amounted to £ nil (2016: £6,000). In the current year the director's remuneration, amounting to £30,000 for all entities within the HIN JB Limited Group, was borne by the Cerberus Group, the ultimate parent.

5 Fair value movement on investment property

The fair value movement on investment property amounted to £ 500,000 (2016: nil).

Notes (continued)

6 Taxation

Income tax recognised in other comprehensive income and Profit and Loss

	31 March 2017 £000	31 March 2016 £000
Current income tax	(35)	(114)
Deferred income tax	132	-
Total current income tax credit / (expense)	<u>97</u>	<u>(114)</u>

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK of 20% (2016: 20%).

Reconciliation of effective tax rate

	31 March 2017 £000	31 March 2016 £000
Profit for the year	1,394	852
Total tax credit / (expense)	97	(114)
Profit before taxation	<u>1,297</u>	<u>966</u>
Tax using the UK corporation tax rate of 20% (2016: 20%)	(259)	(193)
Indexation of investment property	50	-
Tax rate changes	184	-
Capital allowances	-	82
Group relief from parent company	134	-
Adjustments for prior period	<u>(12)</u>	<u>(3)</u>
Total tax credit / (expense)	<u>97</u>	<u>(114)</u>

UK legislation requires, in broad terms, that most transactions between connected parties be at an arm's length price for tax purposes (commonly known as 'transfer pricing'). As a result, this company must make an adjustment for deemed net interest on intercompany balances that has not been recognised in the financial statements.

UK legislation also places restrictions on the amount of interest payable by a group of companies which can be deducted for tax purposes (commonly known as the 'debt cap rules'), but also allows a restricted exemption for interest receivable subject to various conditions.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015. A further reductions to 18% (effective from 1 April 2020) was also enacted on 26 October 2015. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%. The deferred tax liability at 31 March 2017 has been calculated based on these rates.

Notes (continued)

7 Investment property

	31 March 2017 £000
Balance at 31 March 2016	20,300
Fair value adjustments	500
Balance at 31 March 2017	<u>20,800</u>

The Company applies the fair value model as provided in IAS 40. The property is given as a security to the external bank of its parent company HICP Holdings Limited.

Fair value

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year.

All of the investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The Company's investment property comprises a total of one commercial property, situated in the United Kingdom, which is leased to an affiliated entity. In the last fiscal period the Company did not acquire or sell any properties which were classified as investment property.

The fair value of investment property has been determined in accordance with IFRS 13. IFRS 13.9 defined fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The above definition concurs with that of Market Value defined in the RICS Valuation – Professional Standards 8th Edition) published by the Royal Institution of Chartered Surveyors and is also generally consistent with the definition of Fair Value as adopted by the International Accounting Standard Board (IASB).

The appraisals were performed by HVS, an accredited independent appraiser with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

In order to arrive at the fair value of the investment property, the external appraiser applied their market knowledge and professional judgement and not only relied on historical transaction comparable. The Group holds one class of investment property being commercial properties in the United Kingdom. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the appraisals performed by the independent appraisers for financial reporting purposes. Discussions of appraisal processes are held between HVS and the Company. At each financial year end the finance department: (i) verifies all major inputs to the independent appraisals; (ii) assesses property valuation movements when compared to the prior year valuation report and/or (iii) holds discussions with the independent appraiser.

There are no current prices in an active market available for the investment properties being valued. Therefore the fair value measurement is based on a Discounted Cash Flow Model (DCF). The valuations were performed on an item by item basis and not on a portfolio basis. There were not any highest and best use valuations.

For the income and expenses in relation to the investment property reference is made to note 2 and 3 where the rents received and direct operation expenses are disclosed.

The value has increased by £500,000. The hotel will continue to benefit from corporate offices being relocated to Reading and expected renovation in November 2017.

Notes (continued)

8 Debtors

	31 March 2017 £000	31 March 2016 £000
Other debtors		4
Amount owed by fellow group undertakings	3,511	2,741
	<u>3,511</u>	<u>2,745</u>

9 Creditors: amounts falling due within one year

	31 March 2017 £000	31 March 2016 £000
Trade creditors	5	1
Accruals and deferred income	8	7
	<u>13</u>	<u>8</u>

10 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	31 March 2017 £000	31 March 2016 £000
Tax liabilities	1,528	1,661
Net tax liabilities	<u>1,528</u>	<u>1,661</u>

The deferred tax is in relation to the temporary difference between the valuation of the investment property and the tax cost base including capital allowances.

11 Share capital

Allotted, called up and fully paid

	Ordinary shares Number
On issue at 31 March 2016	2,150,001
Issued during the year	<u> </u>
On issue at 31 March 2017	<u>2,150,001</u>

All shares are ordinary shares and have a par value of £1. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (continued)

12 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of HICP Holdings Limited (located at 35 Great St.Helens, London, EC3A 6AP) which is the ultimate parent company incorporated in the UK. The ultimate controlling party is HIN JB Limited. Ultimately the Company is owned by investment funds affiliated with the Cerberus Group. The Company has taken advantage of the exemptions in FRS 101 Section 8 from disclosing transactions with other members of the Group.

The largest group in which the results of the Company are consolidated is that headed by HIN JB Limited, incorporated in Jersey. The smallest group in which they are consolidated is that headed by HICP Holdings Limited, incorporated in the UK. The consolidated financial statements of HICP Holdings Limited are available to the public.

13 Accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Investment properties are held to earn rental income and for capital appreciation. Investment properties are stated at fair value and are determined by third party valuation. Based on the latest valuation undertaken the Directors do not consider any impairment of assets is required.